

Message Text

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SUBJECT: JUNE 4 EC COUNCIL (FOREIGN MINISTERS) - UK RENEGOTIATIONS

REF: EC BRUSSELS 3755

1. SUMMARY. AS EXPECTED, BRITISH FOREIGN SECRETARY CALLAGHAN MADE A LENGTHY STATEMENT AT THE JUNE 4 EC COUNCIL SESSION ON THE RENEGOTIATIONS OF BRITAIN'S TERMS OF ENTRY. THE RESPONSE OF THE OTHER EIGHT WAS GENERALLY FAVORABLE, EXCEPT FOR FRANCE. THE COMMISSION WILL NOW PREAPRE AN INVENTORY OF THE ECONOMIC AND FINANCIAL SITUATION IN THE COMMUNITY FORM 1973 THROUGH 1980 TO SERVE AS A BASIS FOR FURTHER DISCUSSIONS. END SUMMARY.

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2. CALLAGHAN STATEMENT. IN AN EIGHTEEN-PAGE STATEMENT, BRITISH FOREIGN SECRETARY CALLAGHAN ELABORATED ON HIS APRIL 1 STATEMENT ON THE BRITISH PROPOSALS FOR "RE-NEGOTIATION" OF THEIR TERMS OF ENTRY INTO THE EC. HIS STATEMENT DID NOT CONTAIN THE DETAILS PROMISED APRIL 1, BUT DID PROVIDE GREATER INFORMATION ON THE BRITISH EXPECTATIONS, ESPECIALLY IN THE BUDGETARY FIELD AND WITH REGARD TO THE CAP, AND DID MAKE PROCEDURAL PROPOSALS. HE STRESSED THAT THE PROPOSALS WOULD NOT REQUIRE CHANGES IN THE TREATIES, ALTHOUGH HE NOTED THAT THE UK'S RESERVE ON RECOURSE TO TREATY AMENDMENTS, IF NECESSARY, STILL STOOD. HE ASSURED THE MINISTERS THAT THE BRITISH WOULD CONTINUE TO COOPERATE FULLY IN THE CURRENT WORK OF THE COMMUNITY, ALTHOUGH ON CERTAIN ISSUES IT MIGHT BE NECESSARY TO RESERVE THEIR POSITION SO AS TO SAFEGUARD THEIR NEGOTIATING POSITION. CALLAGHAN NOTED THAT DIFFERENT PROCEDURES WOULD BE APPROPRIATE FOR THE DIFFERENT ISSUES THAT WOULD HAVE TO BE DISCUSSED, AND HE PROPOSED THAT THE COMMON AGRICULTURAL POLICY BE HANDLED BY THE COUNCIL OF AGRICULTURAL MINISTERS, THAT THE COUNCIL ON DEVELOPMENT AID DEAL WITH MOST ASPECTS OF AID, AND THAT TRADE MATTERS AND, INsofar AS NECESSARY, REGIONAL AND INDUSTRIAL ISSUES, BE DEALT WITH IN THE GENERAL COUNCIL OF FOREIGN MINISTERS.

3. CALLAGHAN STRESSED, HOWEVER, THAT BUDGETARY MATTERS REQUIRED SPECIAL CONSIDERATION BECAUSE OF THE IMPORTANCE OF THE ISSUE, AND PROPOSED THAT AS APPROPRIATE EITHER THE FOREIGN MINISTERS OR THE FINANCE MINISTERS DEAL WITH THESE PROBLEMS. HE ALSO PROPOSED THAT THE COUNCIL OF FOREIGN MINISTERS EXERCISE A GENERAL OVERSIGHT OVER ALL THE ISSUES AND IF NECESSARY BE ABLE TO GIVE A POLITICAL IMPULSE TO THIS OR THAT ISSUE IF PROGRESS SEEMED SLOW. HIS STATEMENT CONCENTRATED HEAVILY ON BRITAIN'S NEED FOR SOME CHANGE IN ITS BUDGETARY CONTRIBUTIONS TO THE EC. ACCORDING TO BRITISH ESTIMATES, THE UK'S NET CONTRIBUTION WOULD BE ON THE ORDER OF 300 TO 350 MILLION UNITS OF ACCOUNT (ONE UA EQUALS ABOUT \$1.20) IN 1975 RISING TO 700 TO 800 MILLION UA BY 1980. ALTHOUGH ACCOUNTING FOR ONLY ABOUT 14 PERCENT OF THE COMMUNITY'S GDP IN 1980, THE UK WOULD BE CONTRIBUTING ABOUT 24 PERCENT OF THE COMMUNITY'S OWN RESOURCES. CALLAGHAN PULLED NO PUNCHES WHEN HE SAID THAT IN RESPECT OF THE COMMUNITY BUDGET,

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"THE NEGOTIATED TERMS OF ENTRY WERE FUNDAMENTALLY INEQUITABLE." HE REFERRED TO THE COMMUNITY STATEMENT MADE DURING ENTRY NEGOTIATIONS THAT IF UNACCEPTABLE SITUATIONS SHOULD ARISE, THE "VERY SURVIVAL OF THE COMMUNITY WOULD DEMAND THAT THE INSTITUTIONS FIND EQUITABLE SOLUTIONS," AND SAID THAT HIS GOVERNMENT BELIEVED THAT "WE HAVE SUCH A SITUATION."

4. ON THE AGRICULTURAL ISSUES ON WHICH THE UK IS REQUESTING RE-

NEGOTIATION, CALLAGHAN PROPOSED THAT THE COST OF THE CAP SHOULD BE REDUCED IN REAL TERMS, THAT IMPROVEMENTS BE MADE IN THE MARKETING REGIMES FOR SOME MAJOR COMMODITIES, AND THAT THE TERMS OF ACCESS BE IMPROVED FOR CERTAIN FARM PRODUCTS FROM COUNTRIES OUTSIDE THE COMMUNITY. HE STRESSED IN PARTICULAR THE UK'S COMMITMENT FOR ACCESS OF SUGAR FROM THE DEVELOPING COMMONWEALTH COUNTRIES AND FOR FARM PRODUCTS FROM NEW ZEALAND. HE PROPOSED THAT MEASURES BE TAKEN TO IMPROVE ACCESS TO THE COMMUNITY OF THE DEVELOPED COMMONWEALTH COUNTRIES, THAT THE INTERESTS OF THE ASSOCIABLE COMMONWEALTH COUNTRIES BE ACCOMMODATED, AND THAT THE COMMUNITY SHOULD RESPECT THE DEVELOPING COUNTRIES' WISH TO AVOID TRADE RECIPROCITY. ON AID, CALLAGHAN CALLED ON THE COMMUNITY TO TAKE ACCOUNT OF THE NEEDS NOT ONLY OF THE ASSOCIATED COUNTRIES BUT OF ALL THE DEVELOPING COUNTRIES IN THE WORLD, AND, IN PARTICULAR, THE COUNTRIES OF SOUTH ASIA. IN DISCUSSING INDUSTRIAL POLICY, CALLAGHAN STRESSED THE BRITISH FEAR THAT THEIR PLANS FOR BRITISH INDUSTRY, INCLUDING STEEL, MIGHT BE HAMPERED BY UNDULY RESTRICTIVE INTERPRETATIONS OF THE TREATIES AND SAID HE WOULD SEEK ASSURANCES THAT THESE FEARS COULD BE SET AT REST. THE BRITISH OBJECTIVE IN REGIONAL POLICY WOULD BE TO ENSURE THAT THE RULES TAKE ACCOUNT OF THE NEEDS OF THE UK, AND OF THE POLICIES DEvised BY THE UK TO MEET THESE NEEDS. (FULL THES OF THE STATEMENT WILL BE TRANSMISSTE BY AIRGRAM.)

5. CALLAGHAN'S STATEMENT WAS IN GENERAL WELL RECEIVED AND DESCRIBED GENERALLY AS MORE CONCILIATORY THAN HIS APRIL 1 STATEMENT. HOWEVER, MOST OF THE MINISTERS QUESTIONED THE ACCURACY OF THE UK'S BUDGETARY FORECASTS, AND FRENCH FOREIGN MINISTER SAUVAGNARGUES ADOPTED MUCH THE SAME NEGATIVE HARD LINE WITH WHICH FORMER FRENCH FOREIGN MINISTER JOBERT HAD GREETED THE CALLAGHAN STATEMENT OF UNCLASSIFIED

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APRIL 1. SAUVAGNARGUES EMPHASIZED THAT THERE SHOULD BE NO QUESTION OF CHANGING EITHER THE TREATIES OR THE CONCEPT OF "OWN RESOURCES." HE CRITICIZED ANY ATTEMPT AT A "JUST RETURN" SOLUTION AS ANTI-COMMUNITARIAN. GERMAN FOREIGN MINISTER GENSCHER ABLY SUMMED UP THE DEBATE, AND FOUND THAT THERE WAS AGREEMENT ON THE GERMAN SUGGESTION THAT THE COMMISSION, IN THE LIGHT OF THE DEBATE, SHOULD PREPARE AN INVENTORY OF THE ECONOMIC AND FINANCIAL SITUATION IN THE COMMUNITY FROM THE TIME OF ENLARGEMENT (JANUARY 1, 1973) AND ITS EVOLUTION AS FORESSABLE THROUGH 1980. THE COMMISSION INVENTORY WOULD CONTAIN NO RECOMMENDATION. THE COUNCIL ALSO AGREED TO CONTINUE THE EXAMINATION OF ALL THE PROBLEMS RAISED BY THE UK. A FRENCH RESERVE ON THIS AGREEMENT WAS EVENTUALLY LIFTED, ALTHOUGH SAUVAGNARGUES THEN RESTATED THE FRENCH QUALIFICATION.

6. IN A SPECIAL PRESS CONFERENCE AT THE CLOSE OF THE COUNCIL'S DISCUSSION OF UK RENEGOTIATION, CALLAGHAN STATED THAT HIS ONLY OBJECTIVE FOR THAT SESSION HAD BEEN TO OBTAIN AGREEMENT ON PROCEDURES, AND THAT OBJECTIVE HAD BEEN ACHIEVED. HE DELCLARED HIMSELF "MODERATELY SATISFIED THAT THE BRITISH HAD BEGUN THE LONG MARCH." GREENWALD

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